



REVISED ON October 5, 2006

District of Columbia Water and Sewer Authority

MINUTES

**113th Meeting of the Board of Directors
Thursday, September 7, 2006**

Present Directors

Glenn S. Gerstell, Chairman, District of Columbia
Donna MP Wilson, Vice Chairman, Prince George's County
F. Alexis Roberson, District of Columbia
David J. Bardin, District of Columbia
Brenda Richardson, Alternate for Lisa Morgan
Alexander McPhail, District of Columbia
Beverly Warfield, Alternate for Jacqueline Brown, Prince George's County
Anthony Griffin, Fairfax County

Present Alternate Directors

Chris Akinbobola, Prince George's County
Howard Gibbs, District of Columbia
Steven McLendon, District of Columbia
Joseph Cotruvo, District of Columbia

WASA Staff

Jerry N. Johnson, General Manager
Avis M. Russell, General Counsel
Linda R. Manley, Secretary to the Board of Directors

Chairman Gerstell called the 113th meeting of the Board of Directors to order at 10:04 a.m.

Ms. Manley, Board Secretary, called the roll to establish a quorum.

Approval of Minutes of July 6, 2006 Meeting

It was Moved and Seconded that the minutes of the Board of Directors' meeting of July 6, 2006 be approved. The motion carried unanimously.

Customer and Community Services Committee

Reported by: Alexander McPhail, Chairperson

The Customer and Community Services Committee met on Thursday, July 6th.

The Committee discussed the annual water quality report, which was mailed out in June. The Committee wanted to get a review of how the report is vetted and reviewed inside of the Authority. The Committee was informed that the annual report is reviewed by the General Manager, the General Counsel, and an advance copy is sent to the EPA for their input. Some of EPA's input is accepted in the report. The Authority is meeting all of the statutory requirements.

Staff reported that the Authority's annual report is much more comprehensive than many utilities in the United States. Staff plans to scale down the annual report for next year by conveying the information in a shorter format.

The Committee discussed the SPLASH Program and expressed its concern on how to increase its outreach. It is reported on page 14 of the General Manager's Report that as of June 30th, there is about \$66,000 undisbursed funds sitting with the Salvation Army.

Staff is considering proposing to the Committee a new implementing agency to take over the Administration of the SPLASH funds.

Staff reported to the Committee that in a typical month the Authority has 75 to 110 water cutoffs. The Committee's questions to staff were who are these people who have been cut off and would they have been able to avoid cutoff if they had been able to access the SPLASH Program. Staff with the Committee will continue discussions on ways to determine if there is some correlation between people who are cutoff and the people who are eligible for the SPLASH Program.

The Committee has been working with staff in an attempt to highlight customer awareness in four important areas for the Board. The areas are: retail rates, the CSO Program, the Digester Program, and the Anacostia River efforts. The Authority is spending a lot of time and money for these programs, and therefore, the Committee feels that it is very important that the Authority keep the public and its stakeholders informed and get their buy-in on what WASA is doing with these programs. The Committee requested one page briefs on the four programs.

Chairman Gerstell informed the Board that the Montgomery County representatives were unable to attend the meeting due to heavy traffic and road blocks. The Chairman asked David Bardin to provide the Board with a report from the Environmental Quality and Operations Committee.

Environmental Quality and Operations Committee Report

Reported by: David J. Bardin

The Environmental Quality and Operations Committee met on Thursday, July 20, 2006.

Plant Performance

Average flow at Blue Plains for the month of June was 336 MGD on the average. The excess flow due to wet weather events of approximately 298 MG was treated through primary treatment, disinfection, and dechlorination. All permit parameters were met.

Coliform Testing

WASA tested 219 samples under the TCR with only one positive result, well within the EPA guidelines.

Orthophosphate Addition/OCCT

The Committee discussed the orthophosphate addition to handle the lead issue, which has been quite successful in that respect.

The Committee asked if the orthophosphate addition was placing a burden on Blue Plains for phosphate removal. They were informed that the removal only has a marginal impact on plant operations and cost.

LCR Compliance Testing: Results and Trends

WASA has completed the required 100 samples from January through June. Of these samples, 90 percent were at 10 parts per million (ppm) or less, with the threshold being 15.

WAD Capital Program Update

The Committee received a special presentation by Mr. Tom Jacobus of the Washington Aqueduct. The presentation encompassed two process modifications and one construction project.

The proposal on the process modification is to change from chlorine disinfection to sodium hypochlorite. This is a change that Fairfax has made while WSSC has not.

The Committee asked what the additional cost of operation would be using the sodium hypochlorite and was informed that it would be in the range of \$800,000 to \$1 million per year.

The Committee requested that Mr. Jacobus make a regular quarterly presentation to keep the Committee informed on the progress of these and other programs.

Regulatory Issues

The Committee discussed the long-term control plan phase 2 permit language in the NPDES, the separate MS4 NPDES permit to the city for the storm sewers and where that stood.

On July 12th WASA's Deputy General Manager and General Counsel met with John Capacasa of EPA and his support staff to discuss the NPDES permit for Blue Plains and the related combined sewer system that is WASA's responsibility. EPA accepted WASA's schedule for developing a plan and a schedule for achieving the final total nitrogen permit limits, which are a result of the Chesapeake Bay Program on the timing. However, EPA did not accept WASA's interim total nitrogen limit proposal.

As of the time of the Committee's meeting which was July 20th, WASA was drafting a position paper with respect to the total nitrogen limits for forwarding to EPA on or about July 30th.

Sewer System Evaluation and Planning Study and Facility Plan Development

The Committee received a report from Mr. Roger Gans, DC WASA Planning and Design Office on the Sewer System Evaluation and Planning Study. The study is a five-year effort that is underway by the consulting firm of Greeley and Hansen. From the results of the inspections to date, WASA's sewer system appears to be in relatively good shape considering its age and compared to comparable systems. This study will not be completed until next summer. Recommendations concerning the sewer service area of the CIP will be made at that point.

Emerging Issues

The Committee was informed that the egg-shaped digester bidding process had an addendum put into the Request for Proposal (RFP). The addendum was issued on July 11th. The bids were due on August 9th.

The Committee was also provided an update on the electric power situation with the Mirant Plant.

Finance and Budget Committee

Reported by: Chairman Gerstell

The Finance and Budget Committee met on Thursday, July 27, 2006. At that time, the Committee was hearing reports regarding the month of June, which would mean that 75 percent of the Authority's fiscal year was complete.

Chairman Gerstell reported that the operating expenditures were only 64 percent of budget. Capital spending continues to lag dramatically behind budget, with only 57 percent of the budget having been expended.

Cash Reserves and Investments

The Authority's cash reserves continue to be satisfactory. The Board's reserve requirement is six months of reserves and the average for the year will exceed those reserve requirements. The Authority's operating cash balance was over \$225 million as of the end of May.

The Authority's investments continue to be on track. The Authority is slightly behind its treasury benchmark in terms of the yield that the Authority is obtaining, but that is due to historical investments. Staff expects that as the Authority invests in newer higher-yielding instruments, its rate on its investment should catch up and the Authority should be back on track with the three-month treasury benchmark.

Retail Rates Committee

Reported by: Chairman Gerstell

The Retail Rates Committee met on Thursday, July 27th.

FY 2007 Stormwater Rate Update

The Committee was informed that there is a need to adjust the storm water rate for FY 2007. Staff is in discussion with the appropriate committees of the City Council.

FY 2007 Groundwater Sewer Service Rate Proposal

The Committee received a presentation from an outside consultant on groundwater. Chairman Gerstell stated that while it is pretty easy to identify in concept the fact that there are customers who are undoubtedly injecting ground water into the system that they are not paying directly for. There is a cost associated with it, but it is another question to figure out exactly how WASA should be billing people or charging people.

The Committee looked at alternatives that other cities have adopted, most particularly Philadelphia. The Committee was informed by the consultant that most cities, recognizing the poor cost-benefit ratio in this area, do not pursue this, even though as a matter of fairness and pure equity, it probably should be pursued. But in terms of the effort involved and the uncertainties involved; most cities have not pursued this.

The Committee decided that it did want to continue to look at the matter. It explored a number of issues, such as charging only the largest customers for this, whether it be a very clear delineation of their responsibilities for groundwater. The Committee wants to look further at the legal basis for charging this and maybe the possibility of conducting just a small pilot or sample study in this area.

The Committee then decided that it wanted to ask management to continue to work in this area and was not abandoning the proposal, but neither yet are ready to implement the proposal. The Committee agreed that the groundwater sewer service rate would be the subject of further discussions.

FY 2007 Proposed Rate and Fee Changes

The Committee discussed the proposed rate changes to take effect in FY 2007. A proposal had been made which had been adopted by the Board and was published for public comment of a seven percent increase to be effective October 1, 2006.

After reviewing revenue needs and considering other factors, the staff has now reduced their recommendation to six percent. The Committee considered the proposal extensively. The Committee also considered the impact of future rate increases and the effect of future rate increases given the Authority's revenue requirements over the next ten years.

The Committee had a fair amount of discussion over the proposal, including the fact that monies received from the WSSC settlement could be put into the rate stabilization fund.

The Committee decided that in order to keep rates relatively stable and smoothed out over future years and recognizing a somewhat reduced need for revenues right away, it would recommend a five percent increase, to be effective this October. The five percent increase proposal, along with some other associated rate adjustments regarding the pilot fee is set forth in proposed Resolution #06-69, which the Board will consider in this meeting.

General Manager's Report

Reported by: Jerry Johnson

Electrical Services Cost

The General Manager reported that the Authority projected about \$4.5 million in additional costs that will be incurred as a result of changes in the electrical service and those cost increases will be absorbed within the approved budget.

Capital Spending

Staff provided the Board with a third quarter update on the capital spending. Projections at the end of the year will be about \$201 million to be spent, which is about \$40 million under the approved disbursement budget but in line with the adjusted budget that was brought back to the Board as part of the quarterly reports.

Drinking Water Compliance with the Safe Drinking Water Act (SDWA)

WASA met the all of the water quality parameters associated with the Safe Drinking Water Act.

SPLASH Update

The Authority collected \$55,000 as a part of the SPLASH program against a \$45,000 goal. Staff is pursuing the issued raised by Mr. McPhail regarding further expansion of the program.

Wastewater

The Plant met all parameters during both reporting periods. In addition, the Authority is involved in about 11 substantial research projects, several of them found through the Water Environment Research Foundation. One in particular is a project that staff is looking at with a regrowth of bacterial elements in biosolids.

The Water Environment Federation sponsored a major national meeting at WASA where there were 100 participants by telephone and a comparable number that actually attended from across the county over a 2-day period.

The General Manager reported that the Authority experienced a significant amount of rain in the month of June that resulted in a fair amount of over-land flooding, some sewer backup circumstances and some power outages that occurred that left some tunnels in a condition that they had to be pumped out.

Safety Day

The Authority held its annual safety day, which was well-attended by employees. The employees have been engaged in the planning for that activity as a part of its ongoing safety program and highlighting some of the issues.

The General Manager reported that a major presentation was done at the Authority with the Mayor of the District of Columbia as he hosted the Mayor of Accra, Ghana, in a sister city exchange.

NACWA Award

The Authority received for 2005 the gold award from NACWA (the National Association of Clean Water Agencies), which is a significant award.

In addition, the Authority received an award from the Water and Wastewater Operators Association of Maryland, Delaware, and the District of Columbia. This award recognizes WASA for continuous support of the organization over the years and is an organization where WASA employees are continuing to participate in the association's professional growth and development program. WASA employees have been very active in presenting papers as well as being involved in a number of the activities associated with the program.

The General Manager reminded the Board that he previously reported the Authority's efforts related to the TMDL lawsuit and the fact that the Authority is going forward to seek certiorari with the support of the Board, with the Supreme Court. At the time WASA announced that EPA had declined to advance for certiorari (A writ from a higher court to a lower one requesting a transcript of the proceedings of a case for review). The Authority has been joined in its request for certiorari by the National Association of Clean Water Agencies and the Clean Water Partnership as amicuscuriae (an organization that is not a party to a given litigation but is invited to advise a court on a matter of law in the case) filers in the case. The Authority received a copy of a letter from the Solicitor General to the Clerk of the Supreme Court requesting an extension of time. EPA has now been stimulated to at least begin to take a look at this issue a little differently. That extension was granted according to the correspondence that the Authority received.

The General Manager informally invited the Board to Water Use it Wisely night on September 23rd at RFK Stadium as a part of a continuing year-round water conservation campaign that is sponsored by the area water utilities and the Metropolitan Washington Council of Governments. This is a D.C. United soccer match and a formal invitation will be sent to the Board.

The General Manager reported that the Authority received one bid for the digester project. The bid is currently being evaluated and reviewed. Staff will be reporting in two phases back to the Operations Committee. The first phase will be an extensive briefing and background on the procurement.

The costs have increased substantially. A further review by the Board is needed as staff pursues this project since as it will have some long-term implications with respect to the rate structure and the capital planning as the Authority moves forward.

Mr. McPhail asked the General Manager to explain the process notification pilot project that is discussed on page 15 of the General Manager's Report. The General Manager replied that this is the process where the Authority is notifying customers on a continuing basis of the fact that they are delinquent as a part of its collection efforts.

Mr. Kiely explained that the actual call is a recording done through the Authority's customer information system provider, Alliance Data.

Chairman Gerstell asked the General Manager to provide the Board with an update on the Fire Hydrant Program. The General Manager stated that the Authority has a Fire Hydrant Program in place. Crews have been enhanced to ensure that the Authority gets back on track for meeting the standard that was established. The standard is that all fire hydrants that are reported out of service will be inspected within 24 hours and if they require repair, that those repairs will be done within 5 days, within 5 working days.

WASA has about 112 fire hydrants that are currently out of service and backlogged beyond the 5-day period. WASA is working to get those corrected. WASA has also entered into a contract with an independent contractor to get some assistance in the examination and work with the fire hydrants.

Chairman Gerstell wanted staff to reconfirm that the Authority has a system in place where the Authority talks to the Fire Department as soon as they learn about a fire hydrant. Mr. Kiely stated that the process is that the Authority immediately go through the D.C. command center and the Fire Department's command center is contacted immediately. If the Authority is notified about a fire hydrant by a citizen or through a police or a traffic accident or through internal repair, that work is scheduled immediately and the Fire Department is notified. In addition, staff meets with the Fire Department every month.

Chairman Gerstell asked the General Manager to breakout the number of hydrant backlogs, identifying the reason that the hydrants are out of service.

Mr. Bardin asked the General Manager if the outside auditor audits the rate stabilization fund and whether the rate stabilization fund figures actually appear in the audited financials. The General Manager agreed to provide the response before the Audit Committee meeting.

In addition, Mr. Bardin requested that the General Manager provide the Board with an update on the IMA negotiations at the next Board meeting. It was also requested that the headings under the Retail and Wholesale Accounts Receivables be revised in the General Manager's Report under the columns titled, "WASA and WASA Bad Debt."

Resolution #06-69 – Approval of the Final Water and Sewer Service Rates and Right of Way/PILOT Fee for Fiscal Year 2007 was moved from the consent agenda for a roll call vote.

The vote was four in favor of Resolution #06-69. Mr. Bardin opposed Resolution #06-69. Therefore, the vote for Resolution #06-69 Approval of the Final Water and Sewer Service Rates & Right of Way/PILOT fee for Fiscal Year 2007 was carried.

Chairman Gerstell acknowledged and presented Alexander McPhail, Vice Chairman Donna Wilson and Beverly Warfield with plaques extending the Board's appreciation for their dedicated service to the DCWASA Board.

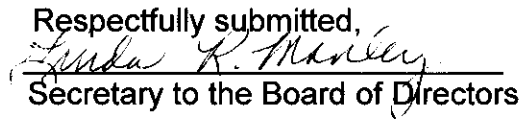
The Board convened into an Executive Session to consider a number of legal matters.

The Board reconvened into the public meeting.

Chairman Gerstell stated for the record that after discussions in closed session the Board may wish to grant the General Manager and the General Counsel the authority to settle the Jim Brobeski Case in the manner that was proposed to the Board.

The motion was Moved by Anthony Griffin and Seconded by David Bardin with unanimous approval by the Board.

The meeting adjourned at 11:04 a.m.

Respectfully submitted,

Secretary to the Board of Directors